



MISSOURI CREDIT UNION ASSOCIATION

December 3, 2012

Federal Housing Finance Agency  
Office of Strategic Initiatives  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024  
[SecuritizationInfrastructure@fhfa.gov](mailto:SecuritizationInfrastructure@fhfa.gov)

**RE: Don Cohenour**, - FHFA White Paper: Building a New Infrastructure for the Secondary Mortgage Market

To Whom It May Concern:

On behalf of the 1.3 million credit union members, the Missouri Credit Union Association (MCUA) would like to take this opportunity to express our views on the Federal Housing Finance Agency's (FHFA) white paper, entitled "Building a New Infrastructure for the Secondary Mortgage Market." As set forth in the February 2012 *Strategic Plan for Enterprise Conservatorships* published by the FHFA, and as part of Fannie Mae's and Freddie Mac's (Enterprises') 2012 Conservatorship Scorecards, the FHFA is requiring the Enterprises to submit a plan for a new securitization platform infrastructure, propose a model pooling and servicing agreement (PSA), and make recommendations for standard Enterprise trust documentation by December 31, 2012.

Regarding a new infrastructure for the secondary mortgage market, MCUA requests that the FHFA emphasize the following important principles in the final infrastructure and PSA:

- Provide equal access to lenders of all sizes on an equitable basis;
- Promote strong oversight and supervision;
- Ensure that mortgage loans will continue to be made to qualified borrowers even in troubled economic times;
- Preserve the 30-Year fixed rate mortgage;
- Foster affordable housing; and
- Provide for a reasonable and orderly transition.

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Specifically, the FHFA requested comments on the following questions.

- 1. The proposed securitization platform has four core functions (issuance, disclosure, bond administration and master servicing). Will these core functions provide an efficient and effective foundation for the housing finance system going forward?**

*In general, MUA believes that the creation of a more efficient and standardized securitization platform will be of benefit to issuers and guarantors choosing to participate in the secondary mortgage market. However, we ask the FHFA provide more specific details in order to produce a meaningful response.*

- 2. Are there additional functionalities that should be considered as core functions of the platform? For example, should the platform independently verify or determine the following or rely on an issuer or guarantor:**
  - a. Underwriting and loan eligibility rules?**
  - b. Pooling rules?**

*MUA requests the agency consider incorporating and attaching underwriting guidance from the Federal Housing Administration (FHA) and the U.S. Department of Veteran's Affairs (VA) along with the Selling Guide as part of any new platform. The Uniform Loan Delivery Data (ULDD) initiative should dictate underwriting criteria for the platform, as well. MUA also recommends that the agency consider merging the existing automated underwriting engines, Desktop Underwriter and Loan Prospector, as it moves forward with the development of the new infrastructure. We understand that the ULDD will perform verification of the underwriting and loan eligibility rules, as well as the pooling rules. If this is the case, MUA does not support a requirement that the platform independently verify the underwriting and loan eligibility rules or the pooling rules.*

- 3. Will the framework for a model PSA described in this paper provide the foundation for a standardized contractual framework for the housing finance system going forward?**

*MUA generally supports the concept of developing a more standardized PSA for use across the mortgage industry. However, we cannot fully address such an endeavor without more details. We urge the agency to seek comments on the actual proposed contractual framework, including the complete details of the contractual agreements that the agency proposes to adopt, as part of such an initiative.*

4. **Are there additional elements/attributes that should be included in a model PSA? For example,**
- a. **Should the model PSA define when a non-performing loan is required to be purchased out of the trust?**
  - b. **Should the model PSA define when a non-performing loan is required to be transferred to a specialty servicer?**

*MCUA encourages the agency to include guidance as to when non-performing loans should be purchased out of the loan pools. Similarly, MCUA supports the inclusion of additional guidance as to when non-performing loans are required to be transferred to specialty servicers. Prior to the financial crisis, when there were foreclosure moratoriums in place for some of the nation's largest lenders, credit unions were prohibited from removing mortgages out of the loan pools. As a result, parties were in breach of the existing PSAs, with no adequate remedy in place. Additionally, some lenders were subjected to FHA and VA penalties. Had specific guidance been included in such PSAs, these scenarios could possibly have been avoided.*

5. **If the framework for a model PSA is a good contractual foundation, how should compliance with the PSA be monitored in the future?**

*Based on the information contained within the agency's white paper, it appears that the proposed platform will provide extensive data, and MCUA encourages the FHFA to ensure that is the case as the design process moves forward.*

6. **What enhancements to the role of trustee should be considered in order to better attract private capital to the housing finance system?**

*The loan portfolio pricing should be assigned relative to the performance of each portfolio. As the agency proceeds with the development of the proposed infrastructure and platform, MCUA urges the adoption of a score card performance system, which will consider delinquencies, geographic areas, and other factors to ensure that responsible lenders and servicers are recognized and portfolios are priced accordingly.*

7. **How should document custodial and assignment responsibilities be handled in the housing finance system going forward?**

*MCUA recommends that the agency consider incorporating both the document custodial and assignment responsibilities into the proposed PSA. Custodial agreements should be in-process and capable of being tracked through the platform. The inclusion of these responsibilities into the PSA will strengthen and support the housing finance system further in the future.*

As always, we appreciate the opportunity to respond to the FHFA's white paper. We will be happy to respond to any questions regarding these comments.

Sincerely,



Don Cohenour  
Interim President